



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
OHIO COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OHIO COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Auditor of Public Accounts has completed the Ohio County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$766,894 from the prior fiscal year, resulting in a cash surplus of \$712,113 as of June 30, 2001. Revenues increased by \$4,270,561 from the prior year and disbursements increased by \$4,935,706.

Debt Obligations:

Total bonded debt principal as of June 30, 2001, was \$782,000. Future collections of \$948,500 are needed over the next 8 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$315,312 as of June 30, 2001. Future principal and interest payments of \$399,065 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

Subsequent Event:

The Ohio County Fiscal Court has entered into an agreement with the City of Hartford, City of Beaver Dam, and Ohio County Industrial Development Authority (authority) to provide economic development assistance to Perdue Farms, Incorporated in the amount of \$6,800,000. Perdue Farms, Incorporated should provide one million gallons of water a day to the authority for use by the fiscal court at no cost to the authority or fiscal court during the term of the agreement. The county attorney has informed us that the fiscal court has the right to terminate this agreement. The Ohio County fiscal court has not made its annual payment of \$500,000 to the authority for fiscal year ending June 30, 2002. The fiscal court has not made a decision on the appropriate action to take in regard to this matter.

Related Party Transaction:

The Jailer's father owns Charlie's Lawn Care. The Ohio County Jail Canteen Fund had expenditures of \$3,404 to this business during fiscal year ended June 30, 2001. The County Attorney found that no conflict of interest existed with the Ohio County Code of Ethics.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Dudley Cooper, Ohio County Judge/Executive

Members of the Ohio County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Ohio County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Ohio County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Ohio County Hospital Corporation. Other auditors whose report has been furnished to us audited those financial statements, and our opinion expressed herein, insofar as it relates to the amounts included for the Ohio County Hospital Corporation is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Ohio County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Dudley Cooper, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

In our opinion, based on our audit and on the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Ohio County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2002 on our consideration of Ohio County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Ohio County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 4, 2002

OHIO COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Dudley Cooper	County Judge/Executive
Bobby Huff	Magistrate
Lonnie Hawes	Magistrate
Larry Keown	Magistrate
David Jones	Magistrate
Bill Burden	Magistrate

Other Elected Officials:

Greg Hill	County Attorney
Gerry Wright	Jailer
Lessie Johnson	County Clerk
Gaynell Allen	Circuit Court Clerk
Elvis Doolin	Sheriff
Jason Chinn	Property Valuation Administrator
Larry Bevil	Coroner

Appointed Personnel:

Sue Hitchel	County Treasurer
Colleen Cox	Occupational Tax Collector
Mary Bartlett	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

OHIO COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:			
Cash	\$	361,053	
Road and Bridge Fund:			
Cash		61,991	
Jail Fund:			
Cash		9,339	
Local Government Economic Assistance Fund:			
Cash		31,388	
Occupational Tax Fund:			
Cash		190,410	
Airport Board Fund:			
Cash		38,447	
Senior Association Fund:			
Cash		<u>8,013</u>	\$ 700,641

Special Revenue Fund Type

Senior Citizens Fund:			
Cash	\$	11,457	
Forest Fire Fund:			
Cash		<u>12</u>	11,469

Other Resources

General Fund Type

General Fund:			
Amounts to be Provided in Future Years For Capital			
Lease Obligations - Courthouse Renovation (Note 5)			228,015
Road and Bridge Fund:			
Amounts to be Provided in Future Years For Capital			
Lease Obligations - Road Garage Building (Note 5)			87,297

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Assets and Other Resources (Continued)

Other Resources (Continued)

General Fund Type (Continued)

Nonvoted Building Commission Bond Fund:

Amounts to be Provided in Future Years for Bond Principal Payments (Note 4)	\$	782,000
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Total Assets and Other Resources	\$	1,809,422
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Liabilities and Fund Balances

Liabilities

General Fund Type:

Nonvoted Building Commission Bond Fund:

Bond Principal Payments - Community Center (Note 4)	\$	782,000
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General Fund:

Principal Payments - Courthouse renovation (Note 5)		228,015
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Road and Bridge Fund:

Principal Payments - Garage Building (Note 5)	87,297	\$	1,097,312
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Fund Balances

Reserved:

General Fund Type

Airport Board Fund	\$	38,447	
Senior Association Fund	8,013		46,460

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balance (Continued)

Unreserved:

General Fund Type

General Fund	\$	361,053	
Road and Bridge Fund		61,991	
Jail Fund		9,339	
Local Government Economic Assistance Fund		31,388	
Occupational Tax Fund		<u>190,410</u>	\$ 654,181

Special Revenue Fund Type

Senior Citizens Fund	\$	11,457	
Forest Fire Fund		<u>12</u>	<u>11,469</u>
Total Liabilities and Fund Balances			<u>\$ 1,809,422</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

OHIO COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 6,622,251	\$ 3,204,995	\$ 1,493,068	\$ 345,652
Transfers In	1,009,366	513,816	174,510	174,179
Airport Board Receipts	36,722			
Senior Association Receipts	14,965			
Kentucky Advance Revenue Program	1,470,300	1,470,300		
Lease-Purchase Proceeds	281,289		178,699	
Total Cash Receipts	<u>\$ 9,434,893</u>	<u>\$ 5,189,111</u>	<u>\$ 1,846,277</u>	<u>\$ 519,831</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 7,320,711	\$ 3,964,883	\$ 1,784,006	\$ 611,697
Transfers Out	1,009,366		55,026	
Road Equipment	151,424		151,424	
Ambulances	102,590			
Airport Board Expenditures	31,727			
Senior Association Expenditures	13,342			
Bonds:				
Principal Paid	78,000	78,000		
Capital Lease:				
Principal Paid	24,330	20,332	3,998	
Kentucky Advance Revenue Program Repaid	1,470,300	1,470,300		
Total Cash Disbursements	<u>\$ 10,201,790</u>	<u>\$ 5,533,515</u>	<u>\$ 1,994,454</u>	<u>\$ 611,697</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (766,897)	\$ (344,404)	\$ (148,177)	\$ (91,866)
Cash Balance - July 1, 2000	<u>1,479,007</u>	<u>705,457</u>	<u>210,168</u>	<u>101,205</u>
Cash Balance - June 30, 2001	<u>\$ 712,110</u>	<u>\$ 361,053</u>	<u>\$ 61,991</u>	<u>\$ 9,339</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2001
 (Continued)

General Fund Type				Special Revenue Fund Type	
Local Government Economic Assistance Fund	Occupational Tax Fund	Airport Board Fund	Senior Association Fund	Senior Citizens Fund	Forest Fire Fund
\$ 212,990 21,379	\$ 1,315,437 55,026	\$ 36,722	\$ 14,965	\$ 44,108 70,456	\$ 6,001
102,590					
\$ 336,959	\$ 1,370,463	\$ 36,722	\$ 14,965	\$ 114,564	\$ 6,001
\$ 277,888	\$ 544,045 954,340	\$	\$	\$ 132,192	\$ 6,000
102,590		31,727	13,342		
\$ 380,478	\$ 1,498,385	\$ 31,727	\$ 13,342	\$ 132,192	\$ 6,000
\$ (43,519) 74,907	\$ (127,922) 318,332	\$ 4,995 33,452	\$ 1,623 6,390	\$ (17,628) 29,085	\$ 1 11
\$ 31,388	\$ 190,410	\$ 38,447	\$ 8,013	\$ 11,457	\$ 12

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Ohio County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Ohio County Public Facilities Corporation, Airport Board, Senior Association, and Ohio County Hospital Corporation are defined as component units of the reporting entity. The Ohio County Public Facilities Corporation, Airport Board, Senior Association are blended within the financial statements of the reporting entity. The Ohio County Hospital Corporation is discretely presented in Appendix B.

Neither the Airport Board nor the Ohio County Public Facilities Corporation has separate corporate powers that would distinguish it as being legally separate from the fiscal court, based on the criteria stated in GASB 14. The fiscal court has financial accountability as a result of fiscal dependency for the Senior Association based on the criteria stated in GASB 14. The Ohio County Hospital Corporation is a legally separate entity. The fiscal court is able to impose its will and is entitled to any assets if the hospital is sold. The county owns the land and buildings of the hospital.

Additional Ohio County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Ohio County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Ohio County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Ohio County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Occupational Tax Fund, Airport Board Fund, and Senior Association Fund.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Forest Fire Fund and the Senior Citizens Fund of the Fiscal Court are reported as Special Revenue Fund Types.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Ohio County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Airport Board Fund, the Ohio County Public Facilities Corporation, and the Senior Association Fund. The Airport Board, the Ohio County Public Facilities Corporation and the Senior Association are component units based on the criteria stated in GASB 14. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Ohio County Water District is considered a related organization of the Ohio County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

OHIO COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Long-Term Debt

Bonds outstanding of the Nonvoted Building Commission Bond Fund are:

<u>Due Date</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2001-2002	\$ 82,000	\$ 37,050
2002-2003	86,000	32,850
2003-2004	90,000	28,450
2004-2005	95,000	23,825
2005-2006	99,000	18,975
Later Years	<u>330,000</u>	<u>25,350</u>
Totals	<u>\$ 782,000</u>	<u>\$ 166,500</u>

The bonds were issued on January 1, 1981, bearing an interest rate of 5 percent to be paid semi-annually on January 1 and July 1. Requirements for the Fiscal Year Ended June 30, 2002 are:

Bond Redemption	\$82,000
Interest	\$37,050

The bonds will be fully amortized on January 1, 2009.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 5. Capital Leases

Liabilities of the General Fund are:

The County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program on May 16, 2000, for the funding for the courthouse renovation in the amount of \$250,000. The interest is variable for 10 years. Payments of principal and interest are as follows:

<u>Due Date</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2001-2002	\$ 21,266	\$ 9,863
2002-2003	22,243	8,882
2003-2004	23,265	7,856
2004-2005	24,333	6,784
2005-2006	25,451	5,661
Later Years	<u>111,457</u>	<u>10,358</u>
Totals	<u>\$ 228,015</u>	<u>\$ 49,404</u>

Liabilities of the Road and Bridge Fund are:

The County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program on July 12, 1996, for the funding for a road garage in the amount of \$106,000. The interest is variable for 20 years. Payments of principal, and interest are as follows:

<u>Due Date</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2001-2002	\$ 4,304	\$ 4,046
2002-2003	4,478	3,838
2003-2004	4,660	3,621
2004-2005	4,849	3,396
2005-2006	5,045	3,161
Later Years	<u>63,961</u>	<u>16,287</u>
Totals	<u>\$ 87,297</u>	<u>\$ 34,349</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 6. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

Liabilities of the General Fund are:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
Park Building Expansion	4/17/1995	7/15/2001	5.25%	1,496

Liabilities of the Road and Bridge Fund are:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
Road Equipment	1/12/2000	1/20/2003	Varies	35,950
Trucks	11/20/2000	11/20/2002	Varies	30,984
Pothole Patcher/Storage Tanks	3/20/2001	3/20/2006	Varies	135,519

Liabilities of the Local Government Economic Assistance Fund are:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
Ambulance Service EMS units	11/20/2000	11/20/2003	Varies	83,709

Liabilities of the Airport Board Fund are:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
Airport Improvement	11/1/1997	10/1/2007	Varies	46,612

Note 7. Related Party Transaction

The Jailer's father owns Charlie's Lawn Care. The Ohio County Canteen Fund had expenditures of \$3,404 to this business during fiscal year ended June 30, 2001. The County Attorney found that no conflict of interest existed with the Ohio County Code of Ethics.

Note 8. Insurance

For the fiscal year ended June 30, 2001, Ohio County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 9. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Ohio County Jail Canteen Fund had income of \$9,186, less cost of goods sold of \$9,966, leaving net loss at \$780 as of June 30, 2001. All profit expenditures were for the benefit and/or recreation of the inmates. The ending balance in the fund was \$4,257 as of June 30, 2001.

Note 10. Hospital Revenue Bonds - Series 1995 and Series 1998

The Ohio County Fiscal Court has adopted ordinances approving the issuance of Hospital Revenue Bonds - Series 1995 and Series 1998 issued by the Ohio County Public Facilities Corporation. Such bond issues do not constitute a general debt, liability, or moral obligation of Ohio County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of the various bond issues.

Note 11. Subsequent Events

A former employee of the Ohio County Fiscal Court was indicted by the Ohio County Grand Jury with theft of failure to make required disposition of property of \$300. The dollar amount given to the grand jury was \$3,705.96. The pretrial conference is set for July 11, 2002 and jury trial is set for July 23, 2002.

The Ohio County Fiscal Court has entered into an agreement with the City of Hartford, City of Beaver Dam, and Ohio County Industrial Development Authority (authority) to provide economic development assistance to Perdue Farms, Incorporated in the amount of \$6,800,000. Perdue Farms, Incorporated should provide one million gallons of water a day to the authority for use by the fiscal court at no cost to the authority or fiscal court during the term of the agreement. The county attorney has informed us that the fiscal court has the right to terminate this agreement. The Ohio County fiscal court has not made its annual payment of \$500,000 to the authority for fiscal year ending June 30, 2002. The fiscal court has not made a decision on the appropriate action to take in regard to this matter.

Note 12. Cash Balance Restated

The beginning cash balance of the General Fund has been restated by \$183,710. During fiscal year ended, June 30, 2000, the Ohio County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust Program for courthouse renovation. The lease proceeds of \$250,000 were deposited into a bank account. During the prior year, \$66,864 was transferred to the General Fund checking account for renovation expenses and interest of \$574 was earned on the account.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

OHIO COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 7,765,567	\$ 3,204,995	\$ (4,560,572)
Road and Bridge Fund	1,735,560	1,493,068	(242,492)
Jail Fund	540,808	345,652	(195,156)
Local Government Economic Assistance Fund	526,701	212,990	(313,711)
Occupational Tax Fund	207,660	1,315,437	1,107,777
<u>Special Revenue Fund Type</u>			
Senior Citizens Fund	119,293	143,649	24,356
Forest Fire Fund	<u>6,000</u>	<u>6,012</u>	<u>12</u>
Totals	<u>\$ 10,901,589</u>	<u>\$ 6,721,803</u>	<u>\$ (4,179,786)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 10,901,589
Add: Budgeted Prior Year Surplus			1,164,028
Less: Other Financing Uses			<u>(1,593,791)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 10,471,826</u>

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SCHEDULE OF OPERATING REVENUE

OHIO COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES		
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type
Taxes	\$ 2,165,348	\$ 2,159,347	\$ 6,001
In Lieu Tax Payments	1,358	1,358	
License and Permits	318,792	318,792	
Intergovernmental Revenues	3,728,842	3,688,606	40,236
Charges for Services	146,163	145,065	1,098
Miscellaneous Revenues	141,575	138,801	2,774
Interest Earned	120,173	120,173	
Total Operating Revenue	<u>\$ 6,622,251</u>	<u>\$ 6,572,142</u>	<u>\$ 50,109</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

OHIO COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,188,724	\$ 2,300,261	\$ (111,537)
Protection to Persons and Property	1,025,055	1,095,022	(69,967)
General Health and Sanitation	2,681,662	459,681	2,221,981
Social Services	220,221	195,658	24,563
Recreation and Culture	1,026,531	522,084	504,447
Roads	1,463,624	1,669,175	(205,551)
Airports	363,184	16,194	346,990
Debt Service	149,928	153,018	(3,090)
Capital Projects	250,217	112,615	137,602
Administration	957,387	658,811	298,576
Total Operating Budget - All General Fund Types	\$ 10,326,533	\$ 7,182,519	\$ 3,144,014
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	1,470,300	1,470,300	
Bonds-			
Principal on Bonds	78,000	78,000	
Capital Lease Agreement-			
Principal on Lease	45,491	24,329	21,162
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 11,920,324</u>	<u>\$ 8,755,148</u>	<u>\$ 3,165,176</u>

OHIO COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2001
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 6,000	\$ 6,000	\$
Social Services	127,986	120,116	7,870
Administration	11,307	12,076	(769)
Total Operating Budget - All Special Revenue Fund Types	<u>\$ 145,293</u>	<u>\$ 138,192</u>	<u>\$ 7,101</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Dudley Cooper, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Ohio County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated March 4, 2002. We did not audit the financial statements of the Ohio County Hospital Corporation. Other auditors audited those financial statements and their report was furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Ohio County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ohio County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 4, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
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Members of the Ohio County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Ohio County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. Ohio County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ohio County's management. Our responsibility is to express an opinion on Ohio County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ohio County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ohio County's compliance with those requirements.

In our opinion, Ohio County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Ohio County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ohio County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 4, 2002

FINDINGS AND QUESTIONED COSTS

OHIO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Ohio County.
2. No reportable conditions disclosed during the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Ohio County were disclosed during the audit.
4. No reportable conditions disclosed during the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Ohio County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Ohio County reported in Part C of this schedule.
7. The programs tested as major programs were: Community Development Block Grant (CFDA #14.228) and Welfare to Work (CFDA #17.253)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Ohio County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OHIO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed - Through State Department of Local Government: Community Development Block Grants/State's program (CFDA #14.228)	Not available	\$ 125,190
<u>Department of Labor</u>		
Passed - Through State Department of Local Government: Welfare to work (CFDA #17.253)	Not available	\$ 140,733
Workforce Investment Act (CFDA #17.255)	Not available	<u>6,851</u>
Total Department of Labor		\$ 147,584
<u>Department of Education</u>		
Passed - Through State Department of Local Government: Adult Education - State Grant Program (CFDA #84.002)	Not available	\$ 24,396
<u>Department of Health and Human Services:</u>		
Passed-Through State Department of Local Government: Title III Senior Center Services (CFDA #93-044)	Not available	\$ 17,842
Title III Nutrition (CFDA #93-045)	Not available	<u>17,808</u>
Total Department of Health and Human Services		\$ 35,650

OHIO COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2001
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Federal Highway Administration</u>		
Passed - Through State Department of Local Government: Recreational Trails Program (CFDA #20.219)	Not available	\$ 20,000
<u>U.S. Department of Justice</u>		
Office of Community Oriented Policing Services (COPS)- COPS In School Award (CFDA #16.710)	Not available	10,982
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs: Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)	Not available	<u>1,146</u>
Total Cash Expenditures of Federal Awards		<u>\$ 364,948</u>

OHIO COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 - The federal expenditures for Community Development Block Grant include grants to subrecipients as follows:

<u>Subrecipient</u>	<u>Number</u>	<u>Pass-Through Grant Amount</u>
Ohio County Water District	14.228	\$125,190

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

OHIO COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

Appendix A

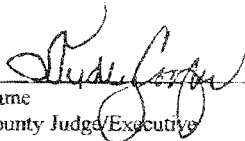
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

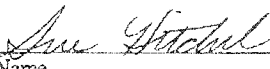
OHIO COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Ohio County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

CPA AUDIT REPORT

OHIO COUNTY HOSPITAL CORPORATION

